ABACUS CITIES LTD.

ANNUAL REPORT/1975

Abacus Cities Ltd., is a Calgary headquartered property development company engaged in multi-family property development, shopping centres, and real estate sales. The Company's prime operation area is Calgary, where Abacus is the largest builder of multi-family rental properties, with branch operations in Edmonton, Kamloops, Vancouver and Victoria. During 1976, Abacus expects to start construction on over 2,000 multi-family housing units across Western Canada.

The Annual Meeting of Abacus Cities Ltd., will take place on Friday, April 9th, 1976 at 3:00 p.m. in MacLeod Hall "D" of the Calgary Convention Centre, Calgary, Alberta.

ABACUS

HIGHLIGHTS 1975

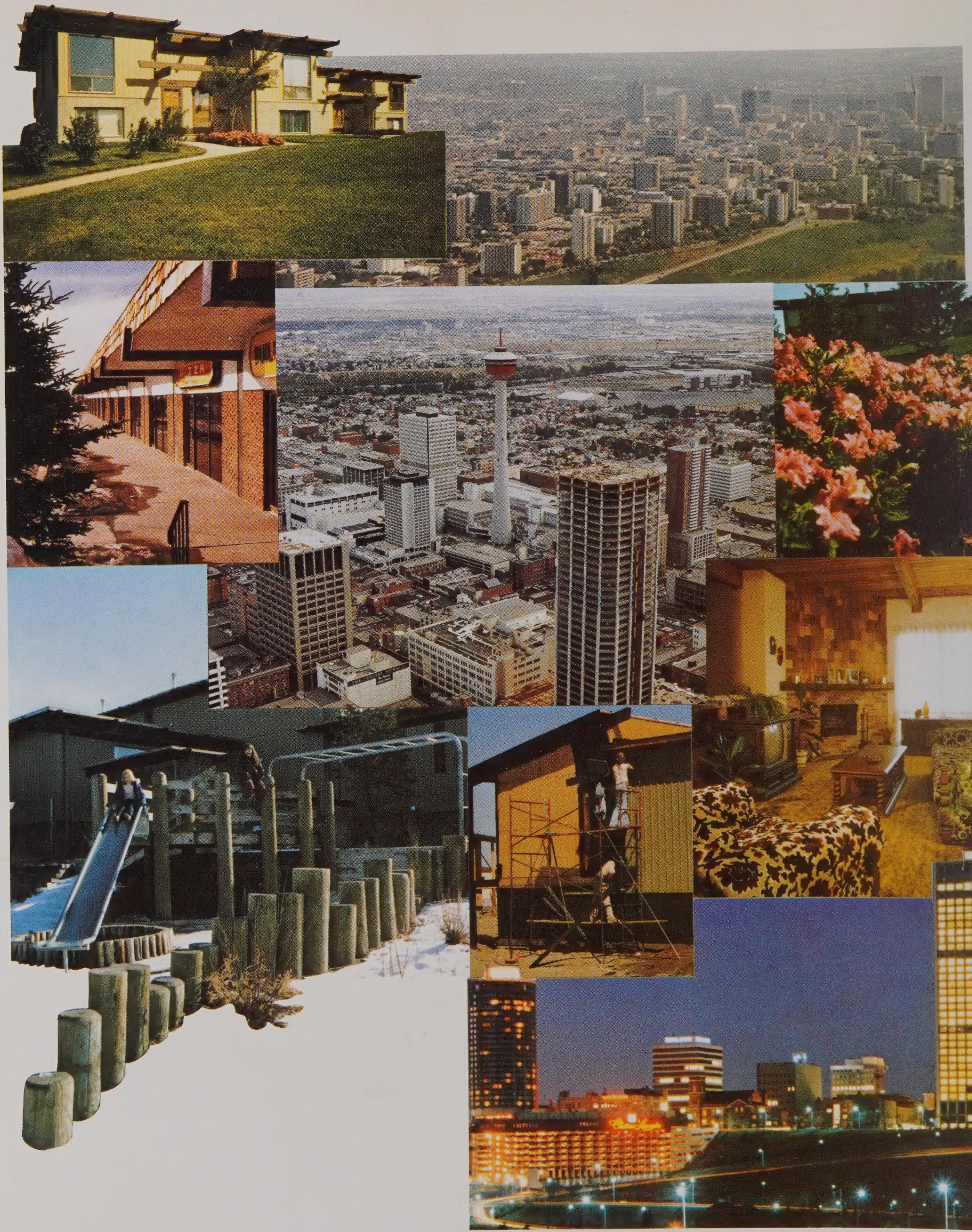
FINANCIAL	**1975**	**Increase**	**1974**
Net Earnings	$ 1,519,789	158%	$ 589,333
Net Earnings Per Share — Weighted Average	$ 3.68	81%	$ 2.03
Net Earnings Per Share — Fully Diluted	$ 2.78	142%	$ 1.15
Cash Flow	$ 2,876,017	176%	$ 1,040,831
Cash Flow Per Share -- Weighted Average	$ 7.01	94%	$ 3.61
Total Assets	$16,657,901	32%	$12,623,206
Total Revenues	$17,215,041	124%	$ 7,693,049
Rental and Management Income	$ 635,311	26%	$ 503,180
Shareholders' Equity	$ 3,647,746	95%	$ 1,866,272
Common Shares Outstanding	459,474	31%	351,046

COMMON SHARE PRICE RANGE	**1975**		**1974**	
Quarter Ended:	High	Low	High	Low
March 31	$ 5.50	$ 5.00	—	—
June 30	6.25	5.25	—	—
Sept. 30	8.25	6.00	$ 5.75	$ 4.70
Dec. 31	13.00	8.25	5.00	4.45

(Above prices are prior to 5:1 stock split effective March 3, 1976)

OPERATIONAL

- — Net earnings surpass $1 million milestone.
- — Cash flow exceeds $1 million in last quarter of 1975.
- — Established operations in Vancouver and Victoria, headed by William H. Rogers and Pal A. Levitt.
- — Abacus remains Calgary's largest multi-family builder.
- — Construction speed improved 30% over 1974.
- — Introduction of new patio home and stacked townhouse designs.
- — Short-term bank credits greatly increased to provide for 1976 construction volumes.
- — Equivest Ltd. markets $24 million of Abacus product.
- — Second level management strengthened and expanded.
- — Construction starts on 1,500 units expected in Alberta for 1976.
- — Over $27 million of contracts carried forward into 1976.




Parkview
Nº15 113A ST. & 153 AVE.

TO OUR SHAREHOLDERS

1975 was an excellent year!

We were pleased to surpass a major milestone of any company in achieving over $1 million of after-tax earnings for the first time. Our $1.5 million of net earnings and $2.9 million of cash flow from operations for 1975 projected Abacus past hundreds of public companies and into a much different league of financial maturity. When coupled with our expectations for 1976 operations, plus recent financing and personnel achievements, we feel that we have finally gained the most necessary ingredient in our industry — staying power.

Continued Financial Success

Every year since incorporation in 1970, Abacus has improved its net earnings, and 1975's 158% increase, to $1.5 million, raised our net earnings annual compound growth rate to 82%. Our 176% increase in cash flow to $2.9 million, raised our cash flow annual compound growth rate to 112%, and amounted to nearly 15 times our annual cash flow of only five years ago.

Another financial milestone passed by Abacus in 1975 was to earn over $1 million of cash flow in one quarter — achieved in the last quarter. Total revenues increased 124% to over $17 million and total assets increased by one third.

Shareholders' equity in accordance with the balance sheet increased 95% to over $3.6 million, however, including current market value appraisal surplus and a discounted valuation for presold, "cost-plus" projects under development, it is the opinion of management that Abacus' net worth is between 4 and 5 times this amount.

We are particularly pleased with our current liquidity position — Abacus has a good cash position, we have good cash flow, and we owe very little in short term obligations, including chartered bank loans, that is not matched to specific takeout financing. In addition, we have arranged significant financing for long term portfolio acquisitions, developments for portfolio, and back-up financing for our construction operations.

Capital Use Best in Canada

While we were able to greatly improve our liquidity, we were still able to keep our resources working. Abacus has always had an extremely high productivity of capital — our return on funds available to us — and 1975 was our best year to date. In less sophisticated but easily comparable terms, our net earnings return and cash flow return on shareholders' equity at the beginning of the year were 81% and 154% respectively, for every dollar of equity in your company, we produced 81¢ of net earnings and $1.54 of cash flow from operations in 1975. To the best of our knowledge, these are both by far the best reported in our industry in Canada in the past year.

We are able to achieve these productivity results due to both our large "sell before development, cash in advance" program, which dramatically reduces interest costs, selling and carrying risks, and fast turnover of units through construction speed an design repetition. The ability to us deferred tax funds and relatively goo gross margins also contribute.

Common Shares: Price, Stock Split and Dividend

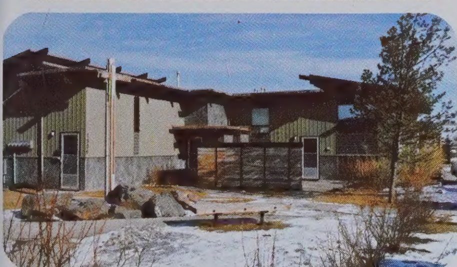
Since our public issue and listing i 1974, Abacus common stock pric rose from $5.50 per share to $15.50 i mid February 1976. While this increas is relatively good in percentage terms it is less than our increases in earning and cash flow, meaning Abacus' com mon shares are still at relatively lov price/earnings or cash flow multiple — 4.2 times and 2.2 times respectively Considering our excellent earning prospects for 1976, your Director elected to split the stock on a 5: basis, effective March 3, 1976. In ou opinion, this will bring the stock pric per share back to a level that wi enhance the potential of the shar price to at least grow with our cas flow.

As was the case in 1975, an annua dividend of 40¢ per common shar was declared for 1976, payable Marc

Dr. Kenneth Rogers, President, (left) and William H. Rogers, Senior Vice President.

An extensive addition to Norbrent Shopping Centre, Calgary, was completed in 1975.

Linkside — our 119 unit townhouse project in South Calgary.



31, 1976 to shareholders of record on February 27, 1976. While the directors would have considered a larger dividend because of our increased earnings, current federal restraints on dividend increases precluded this.

Work in Progress Exceeds $50 Million

Due to the fact that most of our work is being done on behalf of others and is recorded only as work is performed, it is difficult to realistically assess the scale of Abacus operations. Note 2 to the Statements indicates that the total value of work in progress during 1975 amounted to over $50 million of which $23 million has been completed ($16.5 million into revenues in 1975), leaving over $27 million to be taken into revenues in the future. A substantial portion of these future revenues relates to land contracts, each of which will almost certainly generate a cost-plus building contract in time. Because these building contracts are not presently committed, their value has not been included, but they will ensure very significant increases in revenues and income beyond the stated $27 million figure over the next two years.

New Operations — Vancouver and Victoria

At the end of August, Abacus increased its major operating divisions from three to five, with the establishment of permanent offices in Vancouver and Victoria.

The Vancouver operations are headed up by Senior Vice President William H. Rogers, one of the two founders of the Company and a major shareholder. The Vancouver Island operations are headed up by ex-Victorian and long-time Company executive, Vice President Pal A. Levitt. As with our operations in Calgary, Edmonton, and Central B.C., these executives will be totally responsible for the Company's activities and operations in their respective geographical areas.

It is expected that the Company will concentrate on improving and expanding its existing divisions rather than undertaking any further geographical expansion in 1976. This will include the establishment of new, relatively autonomous, profit centres within these divisions.

Vancouver division has purchased 15.4 acres in the Guildford area of Surrey for 186 units of stacked rental townhousing to commence in mid-1976; and the 43 acre Hollies Golf Course in Surrey on the Langley border, for 276 units of multiple and patio housing to commence in late 1976 or early 1977.

Strathcona Breakthrough in Calgary

Calgary City Council recently gave the green light to development of Strathcona Heights where Abacus has its major commitment to longer term, larger scale land development in Calgary. The approval is first subject to the finalizing of Design Briefs, however it is possible that construction could start in 1976.

Calgary division is close to commencing work on over 700 rental units in three major projects and should start over 1,000 such units in 1976. Abacus continues to be Calgary's largest builder of multiple housing.

Edmonton Wins Project Competition

In late 1975, Abacus was honoured in being selected by the City of Edmonton from 18 applicants, in architectural competition, to develop a highly desirable major new site in Mill Woods. Edmonton division expects to start approximately 500 units in 1976 and we expect a substantial profit contribution from this 2 year old operation.

Wendell H. Laidley, (left), Ron Sawchuk, and Dr. Kenneth Rogers examine the site location of the recently approved Strathcona Heights sub-division.

Sahali Approvals in Kamloops

After considerable difficulty, our Sahali Terraces project containing 104 uniquely designed semi-detached homes, 74 multiple units and minor commercial, was recently approved by Kamloops City Council and construction will start in early 1976. In addition, a 96 unit stacked rental townhouse project, Sahali Mews, was also approved.

Management Depth

While Abacus has always had excellent senior management, during the past two years, concerted efforts have been made to attract and develop new management talent who can make significant contributions to the Company's spectacular growth rate. This is evident in the fact that eleven members of the management team have Master of Business Administration degrees and numerous additional personnel have equivalent training in engineering, accounting, or other studies. We have been pleased that we have been able to both attract and hold these capable people.

Major Management and Corporate Changes

Mr. Ronald R. Sawchuk has taken over our largest division, the Calgary division, effective January 1, 1976. Mr. Sawchuk has been with Abacus for two years during which time he has been responsible for project design and processing. Overall corporate operations have been separated from the Calgary division and will continue to be located in Calgary. It is a major corporate objective of 1976 to further de-centralize corporate operations and have all division-related work performed by and accounted for by the respective divisions.

Corporate operations have been greatly strengthened by the addition of Mr. Ross Amos in corporate finance. Mr. Ronald Lefebvre has been given corporate responsibility for the co-ordination of all company marketing. Mr. Roger Wilson has been successful in generating new financial sources and other involvements for the Company. Calgary division was fortunate to have Mr. Bryan H. Ketcheson join the Company after 11 years with Imperial Oil. He is now responsible for the design and processing of Calgary projects. Mr. J. David Carlson has moved strongly into divisional finance.

Of special note, is the exceptional job being done by our Calgary construction operations headed up by Construction General Manager, Mr. H.R. (Hal) Thompson and his Senior Superintendents, Mr. Al Szymanek and Mr. Darryl F. Neighbour.

Sales Operations Key to Success

In 1975, Abacus sold $22 million worth of land and building development service contracts and over $2 million of mortgages. This operation, performed through our sales division Equivest Ltd., has been instrumental in providing Abacus with its "sell before development, cash in advance" program. Messrs. Donald N. Palser President of Equivest Ltd., Gene C Patton, Vice President and Michael Halverson, Edmonton Manager, have done an exceptional job for us to date. We are currently establishing a similar sales operation in British Columbia.

Outlook

Providing mortgage funds do not become "tight", 1976 will be our best year with an approximate doubling of 1975 results from our Calgary division alone. In addition, we expect our divisions in Edmonton, Central B.C. and Vancouver to show the beginnings of major cash flow contributions. Victoria has been concentrating on portfolio projects.

Our timing in entering the British Columbia market was excellent and we are participating in a major expansion there, while Alberta continues to be strong.

Cordially yours,

Kenneth D. Rogers) On behalf of
William H. Rogers) the Board of Directors

March 1, 1976

EARNINGS
BALANCE SHEET
SIX YEARS OF GROWTH

ABACUS CITIES LTD./FINANCIAL STATEMENTS

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SIX YEARS OF GROWTH

OPERATIONS

	1975	Six Year Annual Compound Growth Rate	1974	1973	1972	1971	1970*
Total Revenues	$17,215,041	100%	$ 7,693,049	$ 5,872,283	$ 839,529	$ 1,517,187	$ 539,993
Net Earnings — After Taxes	$ 1,519,789	82%	$ 589,333	$ 376,412	$ 107,309	$ 82,057	$ 75,076
Net Earnings Per Share — Primary	$ 3.68	76%	$ 2.03	$ 1.41	$ 0.39	$ 0.30	$ 0.22
Net Earnings Per Share — Fully Diluted	$ 2.78	94%	$ 1.15	$ 0.78	$ 0.22	$ 0.16	$ 0.10
Cash Flow	$ 2,876,017	112%	$ 1,040,831	$ 686,641	$ 177,243	$ 194,716	$ 66,678
Cash Flow Per Share — Primary	$ 7.01	77%	$ 3.61	$ 2.60	$ 0.68	$ 0.75	$ 0.40
Rental and Management Income	$ 635,311	11%	$ 503,180	$ 489,656	$ 308,879	$ 366,558	$ 371,104
Earnings Return on Shareholders' Equity — Beginning of Year	81%	(av.) 58%	61%	59%	20%	19%	—
Cash Flow Return on Shareholders' Equity — Beginning of Year	154%	(av.) 90%	107%	109%	33%	46%	—

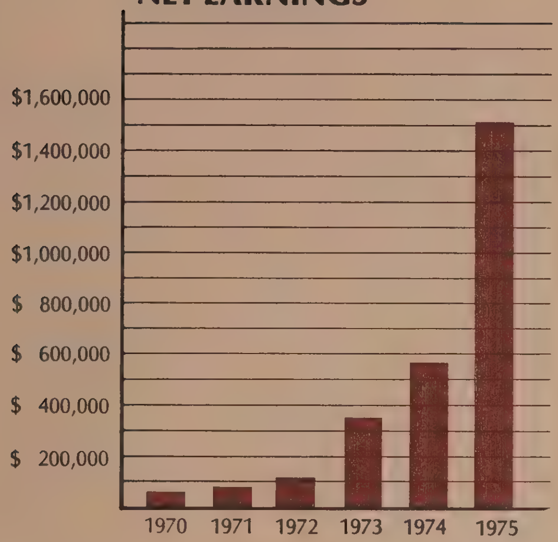
FINANCIAL POSITION

	1975	Six Year Annual Compound Growth Rate	1974	1973	1972	1971	1970*
Total Assets	$16,657,901	38%	$12,623,206	$ 7,737,799	$ 5,045,545	$ 3,226,597	$ 3,351,602
Shareholders' Equity	$ 3,647,746	54%	$ 1,866,272	$ 964,253	$ 639,280	$ 536,770	$ 424,757
Shareholders' Equity Per Share	$ 7.94	38%	$ 5.32	$ 3.65	$ 2.46	$ 2.06	$ 1.60
Common Shares — End of Year	459,474	—	351,046	264,182	259,522	259,522	250,000
Common Shares — Weighed Average	410,483	—	288,351	264,182	259,522	250,793	250,000
Common Shares — Fully Diluted	546,033	—	512,042	476,580	489,296	450,793	450,000
Preference Share Dividend Rate	$ 0.80	—	$ 0.80	$ 0.65	$ 0.65	$ 0.65	$ 0.56
Number of Shareholders — Common	293	—	297	61	54	50	50
Number of Shareholders — Preferred	140	—	151	10	24	24	24
Number of Employees	86	—	63	41	20	10	16

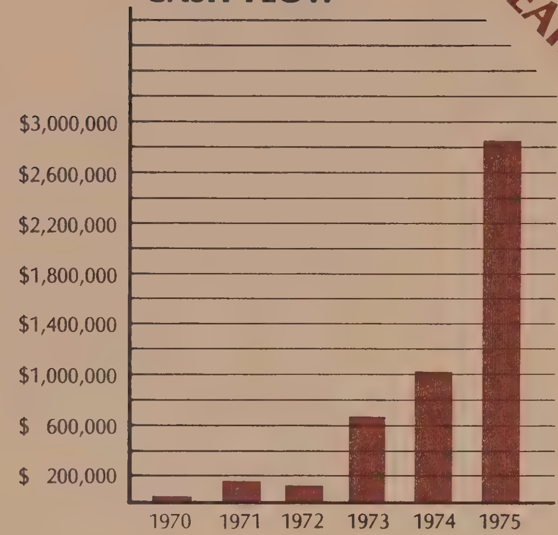
(*8 months - Incorporation, April 9, 1970)

EARNINGS
BALANCE SHEET
SIX YEARS OF GROWTH

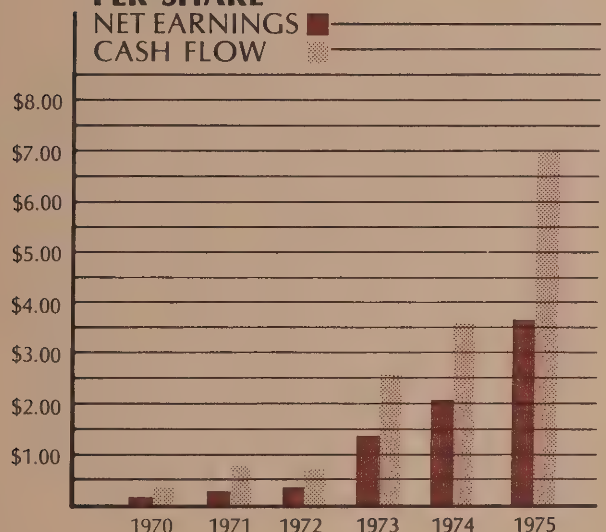
NET EARNINGS



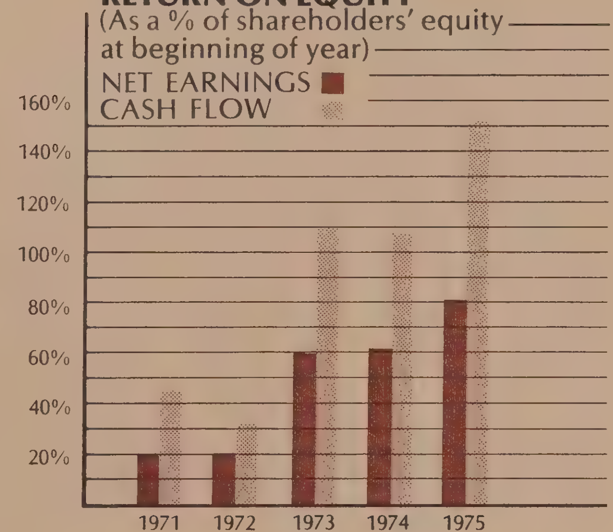
CASH FLOW



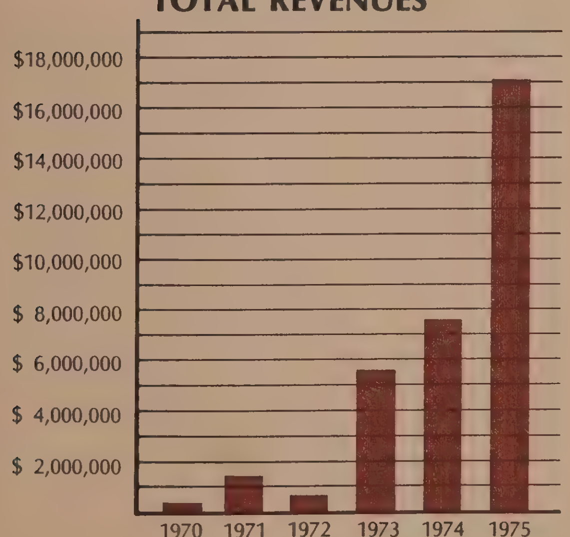
PER SHARE



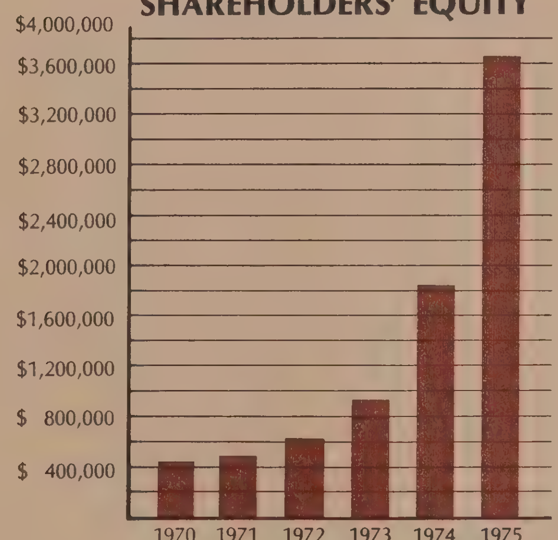
RETURN ON EQUITY



TOTAL REVENUES



SHAREHOLDERS' EQUITY



CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1975

ASSETS	Note	1975	1974
Cash		$ 1,546,722	$ 709,704
Accounts receivable	3	6,681,028	4,124,559
Projects under development			
Building contracts	4	59,649	1,783,568
Land contracts	4	1,870,364	573,386
Land held for future development	4	1,498,410	911,924
Investments in associated companies	5	372,958	333,541
Revenue producing property investments	6	4,207,446	3,951,850
Deposits, prepaid expenses and other assets	7	327,462	129,374
Financing and share issue costs		93,862	105,300
		$ 16,657,901	$ 12,623,206

Approved on Behalf of the Board

KENNETH D. ROGERS } Directors
WILLIAM H. ROGERS }

LIABILITIES	Note	1975	1974
Bank loans	8	$ —	$ 255,000
Accounts payable and accrued liabilities		1,642,680	1,018,106
Deposits on contracts	3	1,002,273	1,747,342
Land agreements payable	9	2,135,341	1,222,412
Mortgages payable			
Projects under development	9	2,932,564	2,605,880
Revenue producing properties	9	3,276,982	3,151,102
Debenture payable	10	38,300	95,651
Deferred income taxes	11	2,249,138	932,238
		13,277,278	11,027,731
Interest of limited partners	12	(267,123)	(270,797)
SHAREHOLDERS' EQUITY			
Capital stock	13	1,125,423	698,424
Capital redemption reserve fund		73,060	73,060
Retained earnings		2,449,263	1,094,788
		3,647,746	1,866,272
		$ 16,657,901	$ 12,623,206

CONSOLIDATED STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1975

REVENUE	Note	1975	1974
Contract revenues			
Buildings	2	$ 9,668,691	$ 2,578,386
Land	2	6,821,384	4,496,678
		16,490,075	7,075,064
Rental income		569,676	460,590
Rental management income		65,635	42,590
Consulting, interest and other income		78,802	88,907
Income from investments in associated companies		10,853	25,898
		17,215,041	7,693,049
EXPENSES			
Cost of contracts	4	12,250,188	5,472,364
Rental operations — interest		248,669	254,104
— operating expenses		178,014	154,660
General and administrative		1,534,501	646,828
Interest		116,692	99,379
Depreciation and amortization		23,896	15,940
		14,351,960	6,643,275
		2,863,081	1,049,774
Gain on sale of revenue producing properties		8,500	12,783
		2,871,581	1,062,557
Interest of limited partners		34,892	12,124
EARNINGS BEFORE INCOME TAXES		2,836,689	1,050,433
Income taxes			
Current		—	—
Deferred	11	1,316,900	461,100
NET EARNINGS FOR THE YEAR		$ 1,519,789	$ 589,333
EARNINGS PER SHARE			
Net earnings		$ 3.68	$ 2.03
Fully diluted net earnings	16	2.78	1.15

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
Balance at beginning of the year	$ 1,094,788	$ 511,026
Net earnings for the year	1,519,789	589,333
	2,614,577	1,100,359
Preferred share dividends	(9,896)	(3,668)
Common share dividends	(155,418)	—
Transfer to Capital Redemption Reserve Fund	—	(1,730)
Premium paid on redemption of preferred shares	—	(173)
Balance at end of the year	$ 2,449,263	$ 1,094,788

CONSOLIDATED STATEMENT OF CASH FLOW FROM OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
Net earnings for the year	$ 1,519,789	$ 589,333
Non-cash items		
Deferred income taxes	1,316,900	461,100
Depreciation and amortization	23,896	15,940
Limited partners' interest in earnings	34,892	12,124
Gain on sale of revenue producing properties	(8,500)	(12,783)
Income from investments in associated companies	(10,853)	(25,898)
Other	9,789	4,683
	2,885,913	1,044,499
Less preferred share dividends	9,896	3,668
NET CASH FLOW FROM OPERATIONS	$ 2,876,017	$ 1,040,831
CASH FLOW PER SHARE	$ 7.01	$ 3.61

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1975

	1975	1974
SOURCE OF CASH		
Net cash flow from operations	$ 2,876,017	$ 1,040,831
Proceeds from issue of common shares	427,000	193,357
Decrease (increase) in projects under development, less related deposits received and financing	222,992	(1,019,460)
Payments received on notes receivable	51,699	—
Proceeds from sale of revenue producing properties	21,218	133,717
Financing proceeds		
Mortgages on projects under development	3,939,680	2,478,579
Mortgages on revenue producing properties	276,600	485,190
Notes and finance contracts	38,683	53,544
Bank loans	—	255,000
Debenture	—	100,000
Proceeds from issue of preferred shares	—	124,900
	$ 7,853,889	$ 3,845,658
USE OF CASH		
Common share dividends	$ 155,418	$ —
Increase (decrease) in accounts receivable from completed contracts, less related liabilities	1,398,309	2,159,613
Increase in notes receivable	427,000	—
Revenue producing property investments	247,988	345,656
Refundable deposits	195,225	—
Investments in associated companies	80,263	139,410
Principal repayments on		
Mortgages on projects under development	3,876,996	85,199
Bank loans	255,000	—
Mortgages on revenue producing properties	128,084	43,005
Debenture	57,351	389,919
Notes and finance contracts	54,702	16,461
Decrease in interest of limited partners	31,776	22,607
Costs of share issues	—	51,968
Redemption of Class "A" preferred shares	—	1,903
Net change in other assets and liabilities	108,759	151,175
	7,016,871	3,406,916
NET INCREASE IN CASH	837,018	438,742
	$ 7,853,889	$ 3,845,658

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1975

NOTE 1 — ACCOUNTING POLICIES

(a) **General**
The accounting policies followed by the Company and the disclosure of its financial information are in accordance with the recommendations of the Canadian Institute of Chartered Accountants.

(b) **Principals of Consolidation**
The consolidated financial statements include:

(i) The assets, liabilities and results of operations of all companies in which the Company holds an interest of more than 50%.

(ii) The assets, liabilities and results of operations of all limited partnerships in which the Company is the general partner. These include:

Triare Investments
Oxford Mews (1969) Company
Fourteenth Enterprises
Linkside Enterprises

In each of the above limited partnerships, Abacus Cities Ltd. (or Triare Development Associates Ltd., in trust for Abacus Cities Ltd.) is the general partner and is responsible for the operation of the partnership properties and other assets.

(iii) The proportionate share of the assets, liabilities and results of the operations of joint ventures in which the Company participates.

(iv) The proportionate share, on an equity basis, of the net earnings or losses of companies in which the Company has a substantial interest.

(c) **Capitalization of Costs**
The Company follows the policy of recording direct carrying costs such as mortgage interest, realty taxes, and other related costs as part of the cost of revenue producing properties under construction and projects under development for sale. The Company also follows the policy of recording as part of the cost of all categories of projects under development, that portion of the administrative overhead and interest on general borrowings considered applicable. The amounts so capitalized are as follows:

	1975	1974
Administrative overhead	$ 37,173	$ 99,685
Interest on general borrowings. .	2,827	15,315
	$ 40,000	$ 115,000

(d) **Revenue Recognition**
The Company's current principal source of revenue is derived from contracting revenue producing properties for other developers, under contracts entered into prior to the commencement of work on the projects. Upon completion of land contracts, the Company will usually enter into building contracts with the land owners to complete the developments. Revenue is recognized on a percentage-of-completion basis.

(e) **Depreciation Policy**
Depreciation on revenue producing properties is based on the sinking fund method, under which fixed annual amounts, together with interest compounded at the rate of 6% per annum, are charged to earnings over the estimated lives of the properties (40-50 years). Other assets are depreciated using either the declining balance or straight-line method depending on the type of asset and its estimated useful life.

NOTE 2 — CONTRACT REVENUES AND DEFERRED CONTRACT REVENUES

Under the percentage-of-completion method of accounting, revenues from clients' contracts are recorded only as work is performed. Accordingly, revenues from the uncompleted portions of the contracts are not reflected anywhere in the financial statements. These amounts are determined as follows:

Total estimated contract revenues from work in progress during 1975	$50,716,000
Revenues recorded, being value of work completed to December 31, 1975 (Note 3) ..... ($16,490,075 in 1975, balance in prior years)	23,661,102
Estimated future revenues from uncompleted portions of contracts at December 31, 1975 .... ($14,807,573 at December 31, 1974)	$27,054,898

The estimated future revenues are comprised of approximately $18.5 million of cost plus fee contracts and $8.5 million of fixed-price contracts.

NOTE 3 — ACCOUNTS RECEIVABLE AND DEPOSITS ON CONTRACTS

(a) Contract revenues are charged to clients as work is performed. The Company receives payment for this work by way of client equity cash and proceeds of clients' mortgage financing. Accounts Receivable arise when the value of work completed and charged to clients exceeds the payments received; conversely, Deposits on Contracts arise when payments received exceed the value of work completed and charged to clients.

The balances in these accounts are determined as follows:

Value of work completed to December 31, 1975 (Note 2)	$23,661,102
Less payments received	18,848,192
	$ 4,812,910

The above total is the net of:

Accounts Receivable from contracts	$ 5,815,183
Deposits on Contracts	(1,002,273)
	$ 4,812,910

(b) Total Accounts Receivable is comprised of:

	1975	1974
Accounts Receivable from contracts — (a) above	$ 5,815,183	$ 3,955,884
Notes Receivable (i)	483,685	38,109
Other	382,160	130,566
	$ 6,681,028	$ 4,124,559

(i) Notes receivable include notes due from officers of the Company of $335,500 in 9½% promissory notes payable in annual installments of $55,917 from 1976 to 1981, pursuant to stock purchase plans, and $11,109 in 8½% promissory notes payable September 30, 1976.

NOTE 4 — PROJECTS UNDER DEVELOPMENT

Costs on Projects Under Development are not necessarily incurred at the same rate as related revenues are recognized on the contracts. Accordingly, costs matched with these revenues and charged to earnings do not normally reflect total costs incurred to date. These amounts are determined as follows:

Total costs incurred to date on projects under development during 1975	$20,772,426
Costs of work completed and charged to earnings to December 31, 1975 ($12,250,188 in 1975, balance in prior years)	17,344,003
Costs incurred to December 31, 1975 on uncompleted portions of contracts and on land held for future development	$ 3,428,423

The above total is comprised of:

Building Contracts	$ 59,649
Land Contracts	1,870,364
Land Held for Future Development (Note 9)	1,498,410
	$ 3,428,423

NOTE 5 — INVESTMENTS IN ASSOCIATED COMPANIES

Investments in and advances to associated companies, equity basis:

	1975	1974
Equivest Ltd.	$ 227,564	$ 162,275
Coverall Aluminum Ltd.	136,786	112,887
Equivest Securities Ltd.	8,608	6,680
Triare Development Associates Ltd. (a)	—	51,699
	$ 372,958	$ 333,541

(a) The principal asset of Triare Development Associates Ltd. was a $51,689, 6% promissory note, due from the controlling shareholders of Abacus Cities Ltd. During 1975, this note was repaid and additionally, the Company exercised its option to acquire all of the outstanding common shares of Triare Development Associates Ltd. for the sum of $30.

NOTE 6 — REVENUE PRODUCING PROPERTY INVESTMENTS

	1975	1974
Land, buildings and chattels, at cost	$ 4,223,921	$ 3,963,686
Accumulated depreciation	16,475	11,836
	$ 4,207,446	$ 3,951,850

(a) Property investments are carried at cost, including development expenses and cost of acquisition of partnership interests in excess of the carrying costs of the properties acquired.

(b) The properties have been appraised at $6,118,500 by Colin G. Dick, A.A.C.I., F.R.I. in a report dated July 21, 1975. The $1,894,579 excess of appraised value over cost has not been recorded in the accounts of the Company. When the current legislative moratorium on the conversion of properties to condominium title expires and the conversion of certain properties included above is completed, the above appraised excess will increase to $2,464,579.

NOTE 7 — DEPOSITS, PREPAID EXPENSES AND OTHER ASSETS

	1975	1974
Refundable tender deposits	$ 195,225	$ —
Furniture and equipment	75,436	38,236
Mortgage commitment deposits	—	55,777
Other	56,801	35,361
	$ 327,462	$ 129,374

NOTE 8 — BANK LOANS

Bank loans are authorized to a maximum of $1,000,000, with a Canadian chartered bank. Advances under this operating line of credit are secured by a general assignment of Accounts Receivable together with a floating demand debenture on all the assets of the Company, ranking in priority to the debenture referred to in Note 10. Early in 1976, interim project financing loans were authorized for a further $2,500,000.

NOTE 9 — MORTGAGES AND LAND AGREEMENTS PAYABLE

(a)

	1975			1974
	Land Agreements	Mortgages	Total	Total
Development contracts . . .	$ 960,341	$ 2,763,964	$ 3,724,305	$ 3,035,777
Land held for future development (Note 4)	1,175,000	168,600	1,343,600	792,515
	$ 2,135,341	$ 2,932,564	$ 5,067,905	$ 3,828,292

The debt relating to development contracts results from the Company arranging interim financing for projects under development. Upon completion of these projects, permanent mortgages are assumed by the clients for whom these projects are developed and the proceeds from such mortgages are advanced to the Company to retire the interim financing and the accounts receivable due from these clients.

(b)

Principal maturities are as follows:	Land Agreements Payable	Mortgages on Projects Under Development	Mortgages on Revenue Producing Properties
1976	$ 777,231	$ 1,907,884	$ 389,187
1977	1,358,110	613,814	558,352
1978	—	2,478	32,412
1979	—	408,748	35,428
1980	—	—	38,727
Subsequent	—	—	2,222,876
	$ 2,135,341	$ 2,932,564	$ 3,276,982

Mortgages on revenue producing properties bear interest at rates varying from 7% to 15% (average 10.85%).

It is the policy of management to renew or replace mortgages as they mature at the then prevailing terms.

NOTE 10 — DEBENTURE PAYABLE

The debenture outstanding at December 31, 1975, is authorized for $100,000, at 18% interest, to a Canadian financial institution, due July 1, 1976. It is secured by a floating charge on all the assets of the Company, ranking subordinate to the debenture referred to in Note 8.

NOTE 11 — DEFERRED INCOME TAXES

(a) Income taxes otherwise currently payable (1975 — $1,316,900; 1974 — $461,100) have been deferred to future periods by reason of:

(i) Capital cost allowances claimed in excess of depreciation recorded in the accounts.

(ii) Development expenses relating to revenue producing property investments deducted for income tax purposes while capitalized for accounting purposes.

(iii) Deferring the recognition of contract profits for income tax purposes, until final completion of the contracts or until the balance of the sales price is received.

(b) The Company has been re-assessed income taxes of approximately $27,600 with respect to prior years. To the extent that the deferral claimed may be disallowed, the Company expects to claim additional Capital Cost Allowances rather than pay the tax currently. Accordingly, the original deferred tax liability has not been changed to reflect any taxes currently payable.

NOTE 12 — INTEREST OF LIMITED PARTNERS

Each limited partnership wrote off to partners, all items deductible under the Income Tax Act when its projects were developed. It is the policy of Abacus Cities Ltd. to capitalize its share of certain of these development costs for accounting purposes. Accordingly, on a consolidated basis, the interest of limited partners will be negative to the extent that the limited partners' share of these allocated tax deductible costs that are not capitalized by Abacus Cities Ltd. exceed the limited partners' share of initial capital contributions and subsequent earnings.

The Company follows a policy of acquiring the interests of its limited partners as they become available.

NOTE 13 — CAPITAL STOCK

(a) **Authorized:**

1,500,000 common shares without nominal or par value

200,000 non-participating, voting, convertible common shares, Class "A", without nominal or par value

50,000 Class "A" preference shares with a par value of $10 each, of which:

- 18,000 are designated 7½% cumulative, redeemable Class "A" preference shares, first series and
- 23,700 are designated 8% cumulative, redeemable, convertible Class "A" preference shares, second series, and
- 8,300 are designated 6½% cumulative, redeemable, convertible Class "A" preference shares, third series.

(b) **Issued and fully paid:**

	1975	1974
459,474 common shares (1974 — 351,046 shares)	$ 1,006,723	$ 573,521
112,504 common shares, Class "A" (1974 — 150,002 shares) . . .	3	3
11,870 8% Class "A" preference shares, second series (1974 — 12,490 shares)	118,700	124,900
	$ 1,125,426	$ 698,424

(c) **Common Shares**

	Number of Shares	Amount
Balance at December 31, 1974	351,046	$ 573,521
Issued during the year for cash	70,000	427,000
Conversions to common shares of:		
Preference shares, second series	930	6,202
Common "A" Shares	37,498	—
Balance at December 31, 1975	459,474	$ 1,006,723

(d) **Class "A" Common Shares**
200,000 non-participating, voting, convertible common shares, Class "A" were issued in 1970 as a performance incentive program for management personnel. All of the performance requirements were achieved in 1974, and all of these shares were then available for conversion into ordinary common shares. Not more than 25% of the unconverted shares may be converted in any one year until less than 50,000 shares remain unconverted, at which time, they are all convertible. This is expected to occur in 1979.
During 1975, 37,498 of these shares were converted to ordinary common shares. Early in 1976, a further 28,123 of these shares were converted.

(e) **Preference Shares — Second Series**
The 8% Class "A" preference shares may be converted to common shares on the basis of one and one-half common shares for each preference share until June 15, 1978 or the date fixed by the Company for redemption of such shares, whichever is earlier. The shares may be redeemed, at the Company's option, at a price of $10.35 per share until February 15, 1976. In February 1976, 11,820 of these shares were converted to 17,730 ordinary common shares and the remaining 50 preference shares were redeemed.

(f) One partner of Fourteenth Enterprises had an option to exchange any portion of his partnership interest for a maximum of 10,342 common shares prior to December 31, 1975. This option was not exercised and consequently has expired.

NOTE 14 — CONTINGENT LIABILITIES

(a) The Company has guaranteed a bank loan of an associated company which, at December 31, 1975, was $34,987.
(b) The Company is contingently liable with respect to letters of guarantee issued by a Canadian chartered bank totalling $149,162, the majority of which are issued to secure mortgage commitments.
(c) The Company is contingently liable for the debts of its co-owners in the partnerships in which it is the general partner and in the joint ventures in which it participates, but against such contingent liabilities the Company would have a claim against the partnership or joint venture assets of its co-owners.

NOTE 15 — STATUTORY AND OTHER INFORMATION

(a) The aggregate direct remuneration paid or payable to Directors and Senior Officers of the Company for the year ended December 31, 1975 was $218,790 (1974 — $198,959).
(b) The Company, its operations and employees are subject to the provisions of the Anti-Inflation Act.

NOTE 16 — FULLY DILUTED EARNINGS PER SHARE

If it were were assumed that, as at January 1, 1975, the 11,870, 8% Class "A" preference shares, second series, had been converted to 17,805 common shares, and all of the 112,504 non-participating, voting, convertible common shares, Class "A" were converted to ordinary common shares, the earnings for 1975 would have been $2.78 per share (1974 — $1.15 per share).

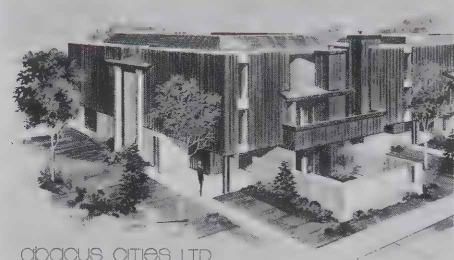
AUDITORS' REPORT

To The Shareholders,
Abacus Cities Ltd.

We have examined the consolidated balance sheet of Abacus Cities Ltd. as at December 31, 1975 and the consolidated statements of earnings, retained earnings, cash flow from operations and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements when read in conjunction with the notes thereto, present fairly the consolidated financial position of the companies and partnerships as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MacGillivray & Co.
CHARTERED ACCOUNTANTS
Calgary, Alberta
March 8, 1976



abacus cities ltd
3 story townhouse

CONSTRUCTION PHILOSOPHY

Abacus is involved in both the acquisition of properties and the development of real estate. Whether a property is acquired or developed by the Company, it may either be sold or retained by the Company in its portfolio. If the property development involves construction of custom buildings, the Company may utilize outside general contractors to perform the construction. The Company's basic philosophy with respect to construction which it undertakes itself is twofold:

1. When sales are involved, the Company attempts to sell in advance and obtain the initial consideration in advance, to such an extent that the client becomes the developer and Abacus' relationship is largely one of provision of development services by contract.

2. The type of building is one which can be repeated many times. In the case of our standard duplex, patio home units, and stacked townhouse units, costs are predictable, major cost savings arise, the construction and design times are substantially reduced, and market success and the quality of construction and design are more certain.

William H. Rogers,
Senior Vice President, Secretary, and General Manager, B.C. Lower Mainland Region.

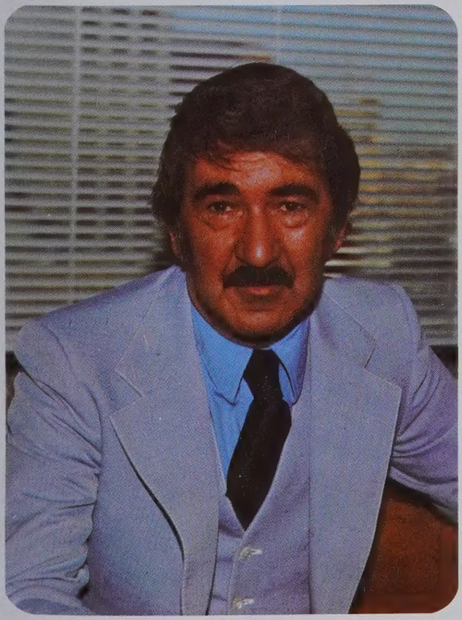
Dr. Kenneth D. Rogers,
President and Treasurer.

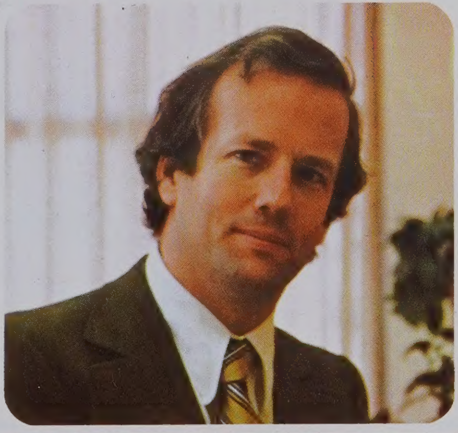
John J. Berrington,
Comptroller.

Pal A. Levitt,
Vice President and General Manager,
Vancouver Island Region.

J.F. (Alan) Cornwall,
General Manager, Central B.C. Region.

Ron R. Sawchuk,
General Manager, Calgary Region.



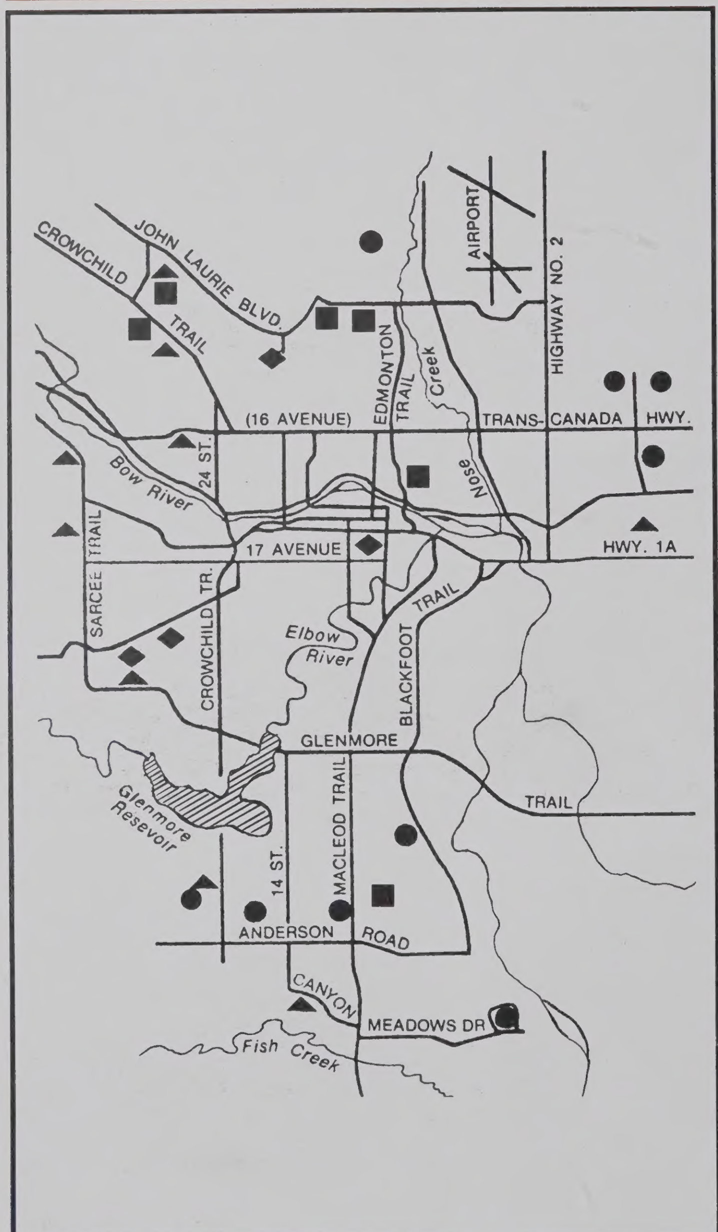


Leo Theofan,
Vice President and General Manager,
Properties.

Wendell H. Laidley,
General Manager, Northern Alberta Region.

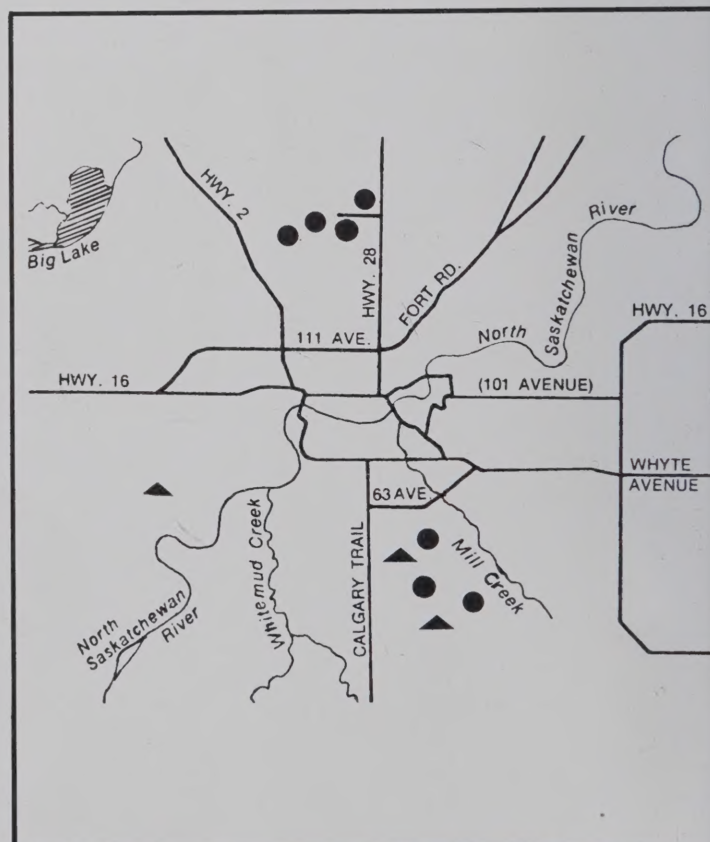
Donald N. Palser,
President and General Manager, Equivest Ltd.

◄CALGARY



- ● COMPLETED PROJECTS — MANAGED BY ABACUS
- ■ COMPLETED PROJECTS — OWNED AND MANAGED BY ABACUS.
- ▲ PROJECTS UNDER DEVELOPMENT
- ◆ PROJECTS DEVELOPED AND SOLD BY ABACUS

EDMONTON ▼



ABACUS

DIRECTORS

Harvie Andre, B.Sc., M.S., Ph.D., P. Eng., M.P.
Richard K. Giuliani, B.Sc., C.L.U.
Stanley H. Mader, B. Comm., LL.B.
James S. Marr
Kenneth D. Rogers, B. Comm., M.B.A., Ph.D.
William H. Rogers, B.A.

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Telephone (604) 388-6461

AFFILIATED COMPANIES

Equivest Ltd.
Coverall Aluminum Ltd.

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
600 - 7th Avenue S.W., Calgary, Alberta T2P 0Y6

AUDITORS

MacGillivray & Co.
10th Floor, Pacific 66 Plaza, Calgary, Alberta T2P 0T8

COMMON SHARE LISTING

Alberta Stock Exchange

ANNUAL MEETING

The Annual Meeting of Abacus Cities Ltd. will take place on Friday, April 9th, 1976 at 3:00 P.M. in Macleod Hall 'D' of the Calgary Convention Centre, Calgary, Alberta

OFFICERS AND SENIOR MANAGEMENT

Kenneth D. Rogers, B. Comm., M.B.A., Ph.D.
President and Treasurer

William H. Rogers, B.A.
Senior Vice President, Secretary and General Manager, B.C. Lower Mainland Region

Pal A. Levitt
Vice President and General Manager, Vancouver Island Region

Leo Theofan
Vice President and General Manager, Properties

John J. Berrington, C.A.
Comptroller

J.F. (Alan) Cornwall, B.S.A., M.B.A.
General Manager, Central B.C. Region

Wendell H. Laidley, B. Eng., M.B.A., P. Eng.,
General Manager, Northern Alberta Region

Ron R. Sawchuk, B.Sc., C.E., P. Eng.
General Manager, Calgary Region

Donald N. Palser
President and General Manager, Equivest Ltd.

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		Vince Dowie Photography, Calgary, Alta.
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		Wallis-Tregillas, Vancouver, B.C.
		James Mathieson, Calgary, Alta.
		Alberta Government Public Affairs Dept.
Printing	—	Burnand Printing Company Ltd., Calgary, Alta.